

Pike A, Marlow D, McCarthy A, O'Brien P, Tomaney J. [Local institutions and local economic development: the Local Enterprise Partnerships in England, 2010-](#). *Cambridge Journal of Regions, Economy and Society* 2015, 8(2), 185-204.

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DOI link to article:

<http://dx.doi.org/10.1093/cjres/rsu030>

Date deposited:

10/07/2015

Embargo release date:

26 January 2017



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Local institutions and local economic development: The Local Enterprise Partnerships (LEPs) in England, 2010-

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Abstract

This paper examines the roles of local institutions in economic development at the local level. Drawing upon comparative analysis of the 39 Local Enterprise Partnerships emergent in England since 2010, it demonstrates: how local economic development institutions work within multi-agent and multi-scalar institutional settings; the ways institutional genealogy shapes processes of layering and recombining as well as dismantling and improvising in episodes of institutional change; and, the analytical themes able to explore the roles and functions of institutions in local economic development.

Keywords: Local, Institutions, Economic Development, Local Enterprise Partnerships, England

JEL Codes: H70, O10, O20, R58

1. Introduction

Growing recognition of the role of institutions in economic development is animating research interest across social science disciplines. Many advances have been made but significant issues require further work. In relation to economic development at different spatial scales, important questions remain concerning: the definitions of institutions and their manifestations and configurations in different geographical contexts; the existence, degree, direction and character of causal linkages between institutions and economic development in specific spatial settings; and, the causes and impacts of the disruption, instability and restructuring of institutions over space and time. Within the broader work on institutions, the aim here is to better understand the roles of institutions in economic development at the local level. The local scale provides a fruitful lens to elaborate how institutions seek to structure and shape the agency and relationships of economic actors, to examine the role of extra-local relations and processes in establishing and conditioning how institutions operate, and to explore how institutions adapt and cope with change, disruption and uncertainty.

Drawing upon comparative analysis of the 39 new Local Enterprise Partnerships (LEPs) established for economic development in England since 2010, the argument derives insights from the interplay between concepts, theory and empirics (Sunley 2008). It does not seek to provide just another individual and isolated case study of a particular institution in a specific geographical and temporal context. Instead, responding to calls for stronger comparative methods (Barnes *et al.* 2007), the approach aims to learn conceptually and theoretically from systematic analysis of the changing institutional architecture for economic development within *and* between multiple local areas in a single national context. The specific contributions are, first, explaining the importance

and ways in which local economic development institutions are situated and work within multi-agent and multi-scalar institutional settings. Second, demonstrating how institutional genealogy shapes processes of layering and recombining as well as dismantling and improvising in episodes restructuring the institutional landscape for local economic development. Last, identifying analytical themes to illuminate understanding of the different roles and functions of institutions in economic development at the local level.

2. Local institutions and local economic development

Recognition and interest in the role of institutions in economic development have risen in the last decade. Across disciplines including Economics, Economic Sociology, Economic Geography and Political Science, work has demonstrated how institutions shape the behaviour of economic actors and their inter-relationships, and are integral to the economy through influencing processes of production, circulation, exchange, consumption and regulation (see, for example, Acemoglu and Robinson 2012, Helpman 2004, Hodgson 2007, Rodrik 2003, Farole *et al.* 2011, Gertler 2010, Martin 2000, Rodríguez-Pose 2013, Streeck and Thelen 2005). Despite the increased attention, institutions remain poorly understood and under-appreciated in specific disciplinary domains relevant to economic development at specific spatial levels and in particular geographical contexts. This gap has been acknowledged in Economic Geography (Peck 1998, Amin 1999, Gertler 2010, Cumbers *et al.* 2003, Martin 2000, Wood and Valler 2001) and Human Geography (Farole *et al.* 2011, Tomaney 2013). Much insight has been generated by ongoing research but important questions remain. Issues include, first, clarifying and operationalizing the definitions of institutions and how they are manifest

and configured in different spatial settings. An important distinction identifies formal, ‘hard’ and written institutions and informal, ‘soft’ and unwritten institutions (Rodríguez-Pose 2013)(Table 1). In local economic development, formal institutions encompass the system of government and governance in a particular nation-state and informal institutions include the traditions of co-operative working between public and private sectors. These formal and informal institutions interact. Both are produced by actors *and* condition and regulate their agency. Such socially-produced structures influence rather than determine attitudes, behaviours and decision-making in ways that impart stability and predictability, and enable their (re)production over time and space (Gertler 2010). Specific manifestations and configurations of formal and informal institutions are assembled through the agency of actors working in and with already existing institutional structures in different spatial settings. Such locally distinctive “institutional architectures” (Gertler 2010: 2) are critically important to understanding their role in local economic development. For analysis, Martin (2000: 79-80) distinguishes two parts of the “institutional regime”:

The ‘institutional environment’ [that] refers to both the systems of informal conventions, customs, norms, and social routines...and the formal...structures of rules, regulations...which constrain and control socioeconomic behaviour...[and the] ‘institutional arrangements’...used to denote the particular organisational forms...which arise as a consequence of, and whose constitution and operation are governed by, the institutional environment.

Within particular variegations of capitalism (Peck and Theodore 2007), how the institutional environment and arrangements interact and shape economic behaviours and

outcomes across and between different spatial levels and in particular geographical contexts requires further examination.

< Table 1 about here >

Second, the causal linkages and interactions between institutions and economic development at different geographical scales remain unresolved. Whether they exist, their extent and nature, and in what directions they operate are unclear: “once basic formal institutions are in place, the relationship between institutions and economic outcomes becomes much more complex, fuzzy and difficult to isolate” (Rodríguez-Pose 2013: 1038). Institutions pervade the relations and processes of economic development across and between spatial levels. But they typically constitute one set of influences amongst many making it difficult to determine their precise causal roles and their extent and nature (Gertler 2010). Establishing the direction of causation is beset by problems of endogeneity because the relationship between actors and structures is recursive; institutions shape and regulate and, in turn, are shaped and regulated by the agency of economic actors (Farole *et al.* 2011). The quantitative degree of causal linkages ranges from strong to weak effects and high to low magnitudes (Beugelsdijk and van Schaik 2005). The qualitative nature of institutional influence is diverse, imbuing economic development in different geographical contexts with varied characteristics including high or low quality, (in)equality and (un)sustainability (Cumbers *et al.* 2003).

Last, the ways in institutional environments and arrangements change and shape the evolutionary paths of economies over time and space and how economies influence institutions are under-researched (Tomaney 2013). Specifically, little is known about how and why institutional architectures or regimes cohere during periods of stability and fixity. Institutional change, disruption and instability raise only partially answered questions too. What are the exogenous and/or endogenous sources that generate change (Gertler 2010)? How and by whom is institutional restructuring effected and what are its implications? Work has only begun to address how processes of layering, conversion and recombination shape emergent and new institutional regimes (Martin 2010, Streeck and Thelen 2005).

Engaging the multi-disciplinary institutionalist project, this paper articulates three specific contributions. First, a central and longstanding concern is understanding how and where institutions interact in (re)producing particular institutional configurations and distinctive practices in different geographical settings at different spatial scales (Peck 1996, Gertler 2010). Analyses have often relied “on economy-wide quantitative studies at the macro level” and “not yet explained in a satisfactory way *which* institutions matter, *when* they matter, and precisely *how* they shape growth” (Farole *et al.* 2011: 59, emphasis in original). Building upon the governance geographies of institution building and institutionalisation (Haughton *et al.* 1997, Peck 1998), understanding is sought about the role of institutions in local economic development and their inter-relations with institutions at other geographical levels. Focusing upon inter-scalar relations, this approach seeks a “more finely grained appreciation of the geography of institutional variation” (Gertler 2010: 5). Evident in different shapes and sizes (Pike *et al.* 2012c), the extent and nature of decentralisation within government and governance systems play decisive parts in explaining the role of institutions in economic development at specific geographical

levels within multi-agent and multi-scalar institutional settings. Between the centre and local levels, powers can be reserved, shared or decentralised and resources can be centrally controlled, negotiated or subject to local discretion (Figure 1). The particular configuration in specific national contexts shapes the institutional environment and arrangements within which economic development at the local level is pursued and by whom. Relative autonomy makes the agency of local actors integral and means institutional outcomes cannot be read-off in a deterministic and top-down way from institutional structures (Gertler 2010).

< Figure 1 about here >

Second, emphasising how and where institutions shape the trajectories of local economies over time (Gertler 2010), the focus here is on periods of substantive change in institutional architectures. Restructuring institutional environments and/or arrangements unleashes episodes of uncertainty, fluidity and experimentation. Understanding shifting institutional landscapes requires historical sensitivity to change and continuity as well as the legacies and ways in which previous paths, approaches and practices prefigure and condition the changed and emergent structures (Jones 1999). Institutional genealogies are necessary to uncover the lineage of institutions and their inter-relations over time and space. Building upon and elaborating David's (1994: 205) notion of institutions as "carriers of history" shaping path dependencies, the importance of micro-level processes has been demonstrated: i) "layering" (gradual and cumulative addition of new rules, procedures and/or structures to existing institutions), ii) "conversion" (reorientation of institutional form and/or function through addition of

new or modification of existing rules, procedures and practices) and “recombination” (reamalgamation of existing and/or new resources and properties to produce new institutions and/or roles, functions and practices) over time in places (Martin 2010: 14–15; see also Peck and Theodore 2007, Streeck and Thelen 2005). Two further processes can be identified. Dismantling is where institutional arrangements are abolished, closed down and removed from the landscape. Often focused on national level welfare state reform (Streeck and Thelen 2005), this process involves substantial efforts, time, resources and (un)foreseen costs and benefits that create legacies which pattern the evolution of institutional architectures. Drawing upon ideas of *bricolage* and unstructured social agency (Garud *et al.* 2009), improvising is where new institutional entities are introduced and actors encouraged and/or compelled to interpret and define their aim, purpose and function within the changed (and often still changing) institutional environments and arrangements of shifting national political-economic contexts, policy frameworks and resource allocations. Such complex processes – layering, converting, recombining, dismantling and improvising – raise yet further questions about how to disentangle and explain institutional operation and effects in geographical contexts.

Third, institutionalist approaches to economic development have expressed disquiet about methods, research designs and comparative analysis (Barnes *et al.* 2007, Gertler 2010, Peck and Theodore 2007). Work in Economic Geography has been strong on explaining and documenting “complexity, context and difference” but weaker in specifying more generalised analytical and explanatory frameworks applicable to different geographical contexts internationally, identifying consistent and comparable conceptual and analytical categories, analysing larger empirical samples, and systematising and generalising its findings (Farole *et al.* 2011: 60). Balance is needed between identifying generalizable analytical themes capable of distilling, comparing and explaining common

features and experiences *and* developing the capability to interrogate the variegation and particularity of institutional architectures for economic development both constituting and encompassing the local level. Synthesising the academic and policy literature (for example Acemoglu and Robinson 2012, Rodrik 2003, OECD 2012), a range of analytical themes can be extracted to provide a framework for understanding and explaining the roles and functions of institutions in local economic development. Reducing uncertainty for local actors, institutions undertake important work in: diagnosing local economic development circumstances and issues; leading actors in deliberation and selection of priorities; formulating development strategies appropriate to local contexts and situations; generating, pooling and aligning resources and investments; and, evaluating the impact of interventions. Within multi-actor and multi-level systems of government and governance, institutions provide a local voice vertically in dealing with supranational, national and regional structures and horizontally in co-ordinating and mobilising other local actors in the public, private and civic sectors. These analytical themes provide a starting point. They are not exhaustive of all the potential roles of institutions in local economic development and will blur and overlap.

With the aim of better understanding the role of local institutions in local economic development, the empirical analysis is focused upon the 39 LEPs established for economic development in England since 2010. England provides an appropriate case as a constituent territory of the asymmetrically devolved union-state of the United Kingdom with highly centralised governance, persistent and relatively high levels of spatial disparities in economic and social conditions and a long history of ongoing change in economic development policy and institutions (Pike and Tomaney 2009, Pike *et al.* 2012a). Extending our understanding from existing research on individual or groups of LEPs (see, for example, Bentley *et al.* 2010), the research undertook the first

comparative national study of all 39 LEPs across England. Informed by the analytical themes above, the survey addressed the roles the new and emergent LEPs were seeking to interpret and perform by gathering and analysing information on their strategies and priorities, organisation and governance, resources, effectiveness and working relations, innovations, lessons learned, capacity building issues, future barriers and challenges. The comparative methodology and research design were based on: i) semi-structured in-depth interviews with the lead actors the Chairs and/or Chief/Senior Officers in all 39 LEPs (100% response rate; 13 (33%) conducted face-to-face) undertaken between December 2012 and February 2013; ii) review of secondary sources (e.g. LEP websites, The LEP Network reports, Government documents and independent studies including BIS (2010), Odgers Berndtson (2012) and Walker (2013); iii) a follow-up exercise to gather additional data on finances and staffing; and, iv) a practitioner workshop to test the emergent findings (March 2013).

3. The Local Enterprise Partnerships (LEPs) in England, 2010-

Several years on from the proposal sent by the UK Government's Secretaries of State for Business, Innovation and Skills (BIS) and Communities and Local Government (CLG) "to invite local groups of councils and business leaders to come together to consider how you wish to form local enterprise partnerships" in order "to work with the Government to help strengthen local economies" (Cable and Pickles 2010), another new landscape of economic development governance has emerged in England. Since 2010, 39 new LEPs were eventually established and recognised by central government in the wake of the dismantling of the 8 sets of regional level arrangements outside London and the transfer

of the London Development Agency to the Greater London Authority (Pike *et al.* 2012a, b)(Figure 2).

< Figure 2 about here >

3.1 Institutional genealogy: the origins and emergence of the 39 LEPs in England

Economic development governance in England is marked by entrenched spatial disparities and centralisation (Pike and Tomaney 2009). Reflecting a history of “compulsive re-organisation” (Jones 2010: 374) and “perpetual restructuring” (Mulgan 2010: 1), repeated institutional experiments have tried to address the “missing middle” (Shaw and Greenhalgh 2010: 457) between central and local government in economic development. Building on the regional planning system established in the late 1940s, this process resembles a pendulum in the post-war period swinging between the regional (early 1960s), local (c. 1979-1994), regional (1997-2010) and local (2010-) scales. As a particular local institutional fix, LEPs emerged as part of the Conservative and Liberal Democrat Coalition’s Programme for Government agreed in 2010. In the wake of the global financial crisis and economic downturn, Coalition strategy embodied the “austerity or consolidation state” (Schäfer and Streeck 2013: 9) prioritising deficit reduction mainly through public expenditure cuts and institutional rationalisation. Economic development policy focused on recovery and underpinned a ‘Local Growth’ agenda, aimed at “realising every place’s potential” (BIS 2010: 1), and shaped by aspirations of sectoral and

spatial ‘rebalancing’, decentralisation and localism (Clarke and Cochrane 2013, Pike *et al.* 2012a).

Central government articulated a critique of the previous episode of regionally-based institutional architecture for economic development based on its regional level centralism, bureaucracy, mismatch with functional economic areas, overly broad aims and objectives, failure to close the gap in economic growth rates between regions, over-resourcing, over-staffing, lack of regional and local accountability, and limited effectiveness (BIS 2010, Pike *et al.* 2012b). To make way for the new local focus, the regional institutional arrangements of Government Offices, Regional Development Agencies, Regional Chambers and other regional entities were rapidly abolished (Sandford 2013). Region, regionalism and regionalisation were removed from the lexicon of sub-national economic development in England. This process of institutional dismantling embroiled the new LEPs in the complex and messy activities involved in winding-up the RDAs, transferring their assets and liabilities, (re)negotiating contractual commitments, staff redeployments and redundancies, and archiving and managing regional knowledge bases (BIS 2012, Pike *et al.* 2012b).

This particular political-economic context for local economic development in England imparted distinctive legacies that shaped the emergent institutional landscape for the LEPs. First, the Coalition’s version of decentralisation and localism meant no longer term vision and plan for LEPs was set out by central government. Instead, local discretion, initiative and innovation were emphasised. The emergence of LEPs consequently reveals a cluttered and fragmented path of institutional evolution. The pace of change has been rapid since 2010: moving from start-up, embryonic organisations to bidders and delivery managers for substantial national and EU funding initiatives to

strategic leaders of their LEP area economies. LEPs expressed concerns that this unplanned and accelerated trajectory has precluded their organic evolution as institutions. The absence of an England-wide vision and plan has generated instability and uncertainty for the emergent local institutions, acknowledged by the national minister: “[G]etting rid of the RDAs and bringing in LEPs has perhaps been a little Maoist and chaotic” (Vince Cable, Secretary of State for BIS, quoted in Stratton 2010: 1).

Second, marked unevenness was evident across the 39 LEPs in the speed at which they were agreed with national government, established and became operational. Reflecting processes of dismantling, improvising, layering and recombining, the LEPs building-up from and adapting existing (sub-)regional partnerships were relatively quicker off the mark. Such sub-regional partnerships either pre-dated and/or were deployed as part of the now dismantled regional structures. LEPs working in new geographies with new local partners faced lengthy improvisation to find their feet. While national government later articulated more centralised versions of “guided localism” (Eric Pickles, CLG Secretary of State, quoted in Illman 2010: 1), the initial period reflected a localist vanguard and deliberate lack of central guidance. As new institutional arrangements in an emergent, evolving and localist context, each of the 39 LEPs had to travel down its own particular road of determining what they were for and how they were going to add value to local economic development amongst the public, private and civic actors in the LEP area as well as organisational development and resolving basic issues of resources, staffing, structures, governance, identity and brand, and premises.

Last, in the dismantling and conversion of the institutional architecture for economic development from the regional to the local level, the regional institutional arrangements were abolished and replaced – at least on paper and in rhetoric – by a looser localism.

Rejecting the preceding legacy as regional centralism, local institutional agency has been strongly encouraged by central government. For the embryonic LEPs with limited capacity and resources, this has meant improvisation. In the early stages of their evolution, the LEPs have had to engage in intensive ‘learning by doing’, negotiating a complex, uncertain and rapidly unfolding policy and funding landscape. Further complications have arisen in the mixed and conflicting messages LEPs receive from different central government departments and Ministers. Institutional genealogy reveals the inherited legacies of repeated experimentation, changing national political-economic projects and priorities, institutional dismantling and conversion, lack of long term vision and plan, and exhortations of localist agency that have shaped the extent, nature and pace of emergence of LEPs as local institutions for local economic development in England.

3.2 Local institutional agency in multi-agent and multi-scalar institutional settings: centralism, localism and the LEPs

Given their relatively limited resources and emergence in a fragmented and evolving landscape of economic development governance with multiple agents active at different geographical levels (Table 2), working relationships with relevant partners in the public, private and civic sectors were critical to LEP establishment. One LEP described this as “partnership capital” (Authors’ Interview, 2013). From the outset, LEPs were focused upon trying to interpret the shifting landscape, identify and craft their role. Negotiating the uneasy relationships between shifting forms of centralism and localism since 2010, LEPs have sought to provide the lead, mobilising actors horizontally at the local level and establishing relations vertically to the national level. In centre-local relations, many

LEPs welcomed the direct connections to central government departments and officials. This channel was considered more effective than having to engage with and work through the previous regional institutional tier. Central government civil servants continue to struggle to find effective ways to deal with all 39 LEPs. Marked unevenness was evident. Some LEPs were establishing strong relationships with Ministers and officials, ensuring their localist behaviours were in tune with central government agendas. Relations between LEPs and other institutions centralised following the dismantling of the RDAs such as the Technology Strategy Board and UK Trade and Investment were patchy. Only some LEPs had agreed formal co-operation agreements. Amidst central government encouragement of competition between LEPs, uneven centre-local relations have meant a cadre of more capable LEPs pulling ahead of the rest in developing their contact networks and deal-making skills with central government in building capacity and influence over economic development in their local areas.

< Table 2 about here >

Relations between LEPs and their respective BIS Locals – the subnational structures of the central government department BIS – were positive. Supportive relations were established even as the BIS Local teams dealt with the layering of enlarged institutional geographies and reduced staff and resources following the abolition of regions. LEP and constituent local authority relations were pivotal to their roles and effectiveness (Walker 2013). Several emergent types can be discerned. First, LEPs that are explicitly a sub-set of mayoral and Combined Authority governance arrangements (e.g. London, Greater Manchester, Leeds, North East and Sheffield. Where the LEP is absorbed into existing

structures it is deemed to have greater accountability and legitimacy. Second, several LEPs are operating as *de facto* business-led, arms-length organisations of the local authority Leaders' Board. Last are LEPs that are still finding their way and are currently sitting alongside often newly formed LA leadership structures. Such LEP arrangements are marked by institutional histories and remain fluid as the Local Growth and Cities agendas continue to evolve.

As purportedly business-led organisations, LEP interactions with local business parallel their critical relations with local authorities. Shaped by their particular local genesis and legacies of the regional era, in some LEPs the Chamber of Commerce played an integral role and, in specific cases, is even providing the LEP secretariat. Elsewhere, as some LEPs seek to enrol businesses as subscribing members, this risks putting them into competition with business associations. Several LEPs explicitly claim to be the local 'business voice' whilst most seek to be either 'a' voice for business or a mediator of business voices. Securing and sustaining business engagement is challenging for LEPs given their lesser size, resources and clout compared to RDAs. Numerous LEPs have already experienced turnover in their business board members and Chairs as terms of office end. A substantial number of LEPs have begun considering joint cross-boundary working and even merging operations. Whilst some local authorities, such as the City of York, have looked to cement their membership in one LEP (Leeds City Region) rather than be members of two LEPs (Leeds City Region *and* North and East Yorkshire) given their overlapping geographies.

How institutions are organised and governed is integral to their capability, role and contribution to local economic development. In common with strategy and priorities, whilst there is no single or universal LEP organisation and governance model, there are

not 39 different variants. In the evolving context, all LEPs are reviewing second or even third generation arrangements in the light of central government's response to Lord Heseltine's (2013) Growth Review and the Comprehensive Spending Review 2013. Different legal forms are being utilised across the LEPs: incorporation with single (e.g. local authority) or multiple shareholders; unincorporated voluntary partnerships; and, part of broader local authority or city-region/Mayoral strategic governance arrangements (e.g. Combined Authority, Greater London Authority/Mayor). Almost all LEPs have either a single or set of multiple local authorities as the 'Accountable Body' for the stewardship of public money. The *modi operandi* of the LEPs is evident through a range of organisational structures and practices: local authority Leaders Boards; Board leads (public and private); Standing sub-groups; 'Task and Finish' groups; Delivery Partners; and, Business Membership body support arrangements. LEP Board size varies from over forty for the South East LEP to under ten in Worcestershire (Figure 3). Although Government specified at least 50% of LEP Boards to be private sector, the distribution of public and private representatives varies geographically too. In Northamptonshire LEP, 73% of the Board is from the private sector whilst in the West of England LEP 60% of the Board is from the public sector. In terms of board representativeness for the populations within their areas, a crude measure of Board representatives per capita for the LEP areas ranges from over 1:700,000 in London and 1:200,000 in D2N2 and Greater Manchester to under 1:50,000 in over a quarter of LEPs.

< Figure 3 about here >

Organisation and governance remain unsettled for LEPs. Unease concerns accountability and culture. To whom is the LEP accountable? The LEP survey revealed several possibilities: genuinely not knowing; a local authority Leaders' Board (or, in London, the Mayor); 'business' (however defined); and, central government and the Secretaries of State in BIS and/or CLG. Such uncertainty masks fundamental questions. What is the LEP? Is it the Board? Is it the organisations represented on the Board? Is it a loose local coalition of public, private and third sector actors with contributions to make to local economic development? In their shifting versions of centralism and localism, central government lacks clarity in its normative expectations of what LEPs *should* be in order to assume enhanced responsibilities and resources. The current conjuncture is a long way from the voluntarist invitation from the Secretaries of State at BIS and CLG in 2010. On culture, LEPs were struggling to retain their agility, flexibility and entrepreneurialism in the face of what they term creeping "bureaucratisation" arising from the widening and increasing level of responsibilities and resources envisaged by central government for the LEPs (Authors' Interview 2013). Echoing the regional era, the evolving roles and functions for the LEPs are mirroring the 'mission creep' of unintentional expansion beyond their original legislative purpose experienced by the RDAs (Pike *et al.* 2012b).

Leading in devising and formulating strategy and deciding upon priorities and future paths in concert with relevant actors from the public, private and civic spheres are critical to institutional roles in local economic development. Diversity in economic conditions and potential shaped LEP strategy-setting and prioritising activities. Wide disparities exist between the LEP areas in their GVA per head (Figure 4). More prosperous LEP areas have sought to address the qualitative nature of local growth, prioritising target sectors and providing infrastructure to sustain growth. Less prosperous LEP areas have tried to

establish the conditions for local growth, assembling land, premises, infrastructure and skills.

< Figure 4 about here >

Shaped by their particular genesis and character, four broad strategy types were evident across the 39 LEPs focused: i) on the LEP area as an economic geography; ii) on the LEP as an institution; iii) on rolling forward an existing strategy; and, iv) on a new formulation exercise. Reflecting the legacies of regional dismantling, half of the LEPs inherited their initial strategies from previous area-based economic development strategies framed by a RDA sub-regional partnership or local authority Local Economic Assessment. Any new strategies were commissioned externally or pulled together by an executive or sub-group then further developed through the EU Structural Investment Framework and Strategic Economic Plan processes informed by central government guidance. Despite central government's 'What Works' policy development agenda (Cabinet Office 2013), collation and analysis of evidence bases, formulation and consultation was inconsistent. Substantive numbers of LEPs were active in engaging key local actors in developing and 'owning' local strategies and priorities. Institutional dismantling and layering meant the new geographies of LEP areas devalued the existing regional and city-regional evidence bases.

In terms of strategic prioritisation, LEPs adopted a sector-focus at a range of levels (e.g. food processing, advanced manufacturing, renewables), a thematic focus (e.g. skills, inward investment, infrastructure, connectivity), or a mix of both. When strategy was

focused on the LEP as an organisation, prominent activities (e.g. Enterprise Zones) or support for specific projects was emphasised. Reflecting improvisation in a localist context, differentiation in LEP roles was evident between strategic leader, business voice, programme commissioner and/or fixer and honest broker. Priorities were articulated in different ways by the LEPs with some aggregation into programmes and some split into discrete projects.

In contrast to the preceding regional era, no common performance management framework has been established for the LEPs. Emphasising a particular localism, central government explicitly did not set targets against which LEP performance could be evaluated. But an expectation was clear that HM Treasury conceptions of impact and value for money should be demonstrated. With increased responsibilities and funding, LEPs were seeking enhanced accountability, transparency and the ability to demonstrate added value (House of Commons BIS Select Committee 2013). The early picture was mixed across the 39 LEPs. A few had developed performance management frameworks, several had published annual progress reviews and others have identified measures of success and progress in programme and project deliverables and outcomes. In the government's centralised form of localism, all 39 LEPs were having to revisit their initial strategic and prioritisation exercises to meet the frameworks set by central government in 'Strategic Economic Plans' and 'Local Growth Deals'

Generating, pooling and directing resources are central to the capability and capacity of institutions to influence economic development at the local level. In common with other multi-agent and multi-level governance systems in advanced economies (McLean *et al.* 2003), it is difficult and complex to identify sub-national resources. Multiple, varied and fluid sources of finance were evident at the local level that varied greatly in their

magnitude and disclosure across the LEPs. As one LEP respondent put it “The situation changes everyday” (Authors’ Interview, 2013). Key distinctions are, first, between funds allocated to the LEPs by central government and funds generated by the LEPs from sources other than central government. Second are the different forms in which financial resources are provided, for example as cash with certain spending conditions or in-kind support from a seconded individual or organisation. Third is the issue of measuring the value of the *pro-bono publico* and voluntary contributions made to the LEPs, for instance by the private sector Chair, Board members and other local institutions.

Reflecting improvisation and layering at the national level, central government is using four categories of approaches and mechanisms to allocate resources to LEPs. First is ‘core-uniform’ allocation of amounts to each LEP from BIS to meet operational costs and prepare strategies. The LEP Capacity Fund totalled £4m, whilst the LEP Start-Up Fund provided £5m disbursed on the basis of competitive bids and match-funding. More recently, the LEPs shared a further £5m for executive support and, subject to match funding, an additional £250,000 each in 2013/14 and 2014/15. Although the LEPs are diverse in size and capability, this resource was distributed equally. The second category is ‘core-varied’ allocation where specified formulae were used and each LEP received different amounts of funding. The Growing Places Fund (GPF) was allocated on a formula based on population density and ‘employed earnings’ (employment multiplied by earnings) (DfT and DCLG 2011). Analysing the geographical distribution of the GPF demonstrates that LEP areas with stronger economic performance received relatively more of the public funding (Figure 5). This allocation mechanism is an innovation in spatial economic policy terms. It does not aim to redistribute public resources from richer to poorer areas. Instead, in the context of the austerity state, recession and faltering economic recovery in the UK, it explicitly focuses resources on

areas with the greatest potential for immediate economic growth – “helping the strongest first” (The Economist 2011: 1).

< Figure 5 about here >

The third category is ‘competitive-general’ allocation where funds from specific initiatives are allocated to successful LEPs following a competitive bidding process. The amounts disbursed vary and the LEP retains some flexibility in how the funds are deployed. In this way, 11 of the 25 new Enterprise Zones (EZs) were allocated. The competitive allocation mechanism aimed to encourage local innovation, stimulate creative ideas and reward the best bids. The results created ‘winners’ and ‘losers’ in a geographically uneven map of public resource allocation. Reflecting the improvisational and incremental nature of central government policy, however, of the 39 LEPs, 11 (28%) were awarded a ‘first wave’ EZ without any formal competition. In total, 26 (67%) bids were submitted for a ‘second wave’ EZ, and 13 (50%) were successful (SQW 2011). The map of EZs displays a geographically dispersed pattern. The ‘first wave’ of EZs was mostly awarded to LEPs in the north and the midlands, whilst the ‘second wave’ of EZs went predominantly to LEPs in the south. This geography reflected central government’s rebalancing agenda and desire to spread funding around the country. This map in turn has uneven implications for the resources available to LEPs in terms of potential but uncertain future revenue streams.

The last category is ‘competitive-specific’ allocation using a competitive bidding mechanism. The amounts vary by LEP and the funding has tighter conditions for its

specific use. The Regional Growth Fund (RGF) is allocated on this basis. It too created local ‘winners’ and some LEPs deciding not to bid often due to limited capacity.

Although not restricted to LEPs, in line with its aims the geographical distribution of RGF demonstrates a slant towards less prosperous LEP areas and those with relatively high public sector employment (BIS 2013)(Figure 6). Significantly, the competitive principle was identified as the preferred mechanism for resource allocation in the Heseltine Growth Review (2013) incorporated into the Local Growth Fund bids from each LEP.

< Figure 6 about here >

In generating, pooling and directing resources by the LEPs, a range of different forms was evident. First, LEPs were drawing upon financial contributions from their constituent local authorities often with specified conditions imposed on their use. Second, LEPs were receiving contributions from private sector business within their areas, either through a subscription and/or membership-type model. Third, beyond direct financial contributions, staff secondments from local partners such as local authorities, other public agencies and Chambers of Commerce were widely in use. Fourth, in-kind support – such as administration and premises – were provided by local partners including further and higher education institutions. Last, contributions were made on a *pro-bono publico* basis from further and/or higher education institutions and through volunteering by public, private and civic actors. In the context of the austerity state, the self-help and internal generation of resources by and for the LEPs is an element of central government’s longer term vision, aligning with international

aspirations toward the self-financing of local and regional economic development institutions (Bellini *et al.* 2012).

Given the complexities and difficulties involved in identifying and accessing the central government allocation mechanisms and the generation of resources by the LEPs, the analysis can only provide a partial picture of the estimated financial resources amongst a sub-set of the 39 LEPs. The relatively better endowed LEPs have an EZ, RGF and other programme funding, some independent sources of local revenue in addition to Government core funding streams and GPF allocations. In sum, the combination of central government allocations and internally generated sources can amount to an estimated footprint of well over £10m per annum for 2013/14 to 2015/16. Less well-endowed LEPs are restricted effectively to Government core and GPF sources. Figure 7 illustrates the level of resources LEPs appear to have available directly to allocate or indirectly to influence on the basis of their Growth and European Funding Strategies. The geographical distribution is tilted toward the economically weaker LEP areas and core city-regions.

< Figure 7 about here >

In terms of staff, some LEPs claimed to have up to 60 direct staff (e.g. Liverpool City Region), around one third of LEPs have 5-9 staff and a further third 1-4 staff (Figure 8). A key distinction is between staff directly employed and under the direction of the LEP and those staff that work for a LEP *and* a Leaders' Board, local authority, public agency and/or pre-existing partnership. Here, the resources and capacity available to LEPs

and/or to other partnerships and organisations becomes blurred. Management and co-ordination of the interests of the various local institutions involved is a thorny issue for effective local economic development.

< Figure 8 about here >

4. Conclusions

Engaging a vibrant institutionalist research agenda in economic development, this paper has sought better understanding of the roles of local institutions in economic development at the local scale. Conceptual and theoretical developments and reflections have been underpinned by comparative empirical analysis of all 39 LEPs established for local economic development in England since 2010. Responding to the call for “a richer account of where good institutions come from, the shape they take, and how they need to evolve to support long-term growth” (Rodrik 2003: 12), three specific contributions have been made. First, economic development institutions working at the local scale are situated within multi-agent and multi-scalar institutional environments and arrangements. The extent, nature and evolving shape of this institutional space frames the capacity and scope of local institutional agency to influence and shape economic development. Echoing the market-oriented and privatist localism in England in the 1980s and 1990s (Peck 1998), the experience of “guided localism” (Eric Pickles, CLG Secretary of State, quoted in Illman 2010: 1) across the 39 LEPs demonstrates how particular and somewhat pliable forms of centralism and localism are marked characteristics of local economic development in England. Mulgan (2010: 1) characterises this particular “British

vice” as “centralisation masquerading as decentralisation”. While the national level is often decisive in centre-local relations, in other political-economic contexts internationally city, city-regional or regional level institutions may play vital roles too. How and in what ways is a question for future cross-national research.

Second, institutional genealogy provides a worthwhile means to grasp the historical evolution of the institutional landscape and the ways in which continuities, endowments and legacies from past and existing institutional environments and arrangements prefigure and shape new and emergent settings during periods of change and transition. Such path dependencies are not simply deterministic, however. Processes of layering, converting and recombining as well as dismantling and improvising unfold in complex and often unstructured and unforeseen ways. Reflecting the longstanding instability and churn in institutional and governance arrangements for economic development in England (Pike and Tomaney 2009), the analysis demonstrated how LEPs were shaped by the preceding episode of regionalisation and regionalism and its dismantling, geographies of embedded structures and practices of joint working and partnership, and existing strategies and knowledge bases. In combination, LEP agency was framed by the establishment of new national government priorities and policy frameworks, tasks, funding streams, geographies, organisations, staff and the uncertainty generated by the unplanned and incremental unfolding of the Coalition Government’s Local Growth agenda. Exhortations of localism alongside limited resources and capability meant the LEPs had to experiment, innovate and improvise in trying to interpret and fulfil their centrally prescribed and locally inflected roles.

Third, the analytical themes identified to capture the different roles and functions of local institutions in local economic development provided a comparative framework

systematically to engage diversity and variety at the local scale. In the context of particular forms of centralism and localism in England, the analysis demonstrated how LEPs were encouraged to utilise local knowledge to diagnose economic growth potential, develop tailored strategies, and co-ordinate local and central actors to stimulate economic growth within their LEP areas. In a centrally prescribed and orchestrated framework, LEPs have attempted to lead and integrate decision-making as well as generate, pool and direct complex and varied modes of funding. The analytical themes provided a systematic means to interpret how the 39 LEPs undertook such tasks. The framework provided a heuristic device applicable across the different geographical settings of the 39 LEP areas to inform explanation of local institutional agency in economic development. It is a starting point rather than a comprehensive check-list given that other roles and functions could be evident elsewhere. What particular combinations of such roles and functions exist in different geographical contexts reinforces the need for further comparative work internationally.

Although diversity and variety across a range of dimensions is marked amongst the 39 LEPs in England, their role and contribution is being compromised by a fragmented and shifting landscape of economic development governance and the absence of a longer-term vision and plan for their evolution. Concerns are being generated by unresolved tensions between centralism and localism, competition and collaboration, agility and 'bureaucratisation', and whether or not the 'LEP Family' develops a more coherent collective voice and begins to articulate its interests with central government. These issues are being exacerbated by the existence of differential and overlapping approaches to functional economic geographies amongst the LEPs. Given the lack of long-term vision and strategy for their development, the fundamental tensions yet to be resolved and their institutional deficits and limitations in authority, accountability, capability and

resources, at this stage in their evolution, the comparative analysis of the 39 LEPs suggest that many will struggle to exercise substantive influence upon economic development at the local level. Continued state austerity, faltering growth and uncertain economic conditions in the short and medium-term will further trouble this central task.

Conceptual development and analysis can be drawn towards attempting to address the difficult normative question of what should be the appropriate type, scale and nature of the institutional environment and arrangements for economic development at the local level in particular geographical contexts. But, adding a further episode to the history of recurrent changes in economic development governance, the experience of LEPs in England raises the spectre that such manifestations and configurations of institutions are to a large degree contingent and conditional. They are what Gertler (2010: 2) terms “locally distinctive and evolving, multi-scalar institutional architectures”. Such institutional configurations may be temporary accomplishments that are fleetingly appropriate and effective in delivering particular desired outcomes only when they coincide and inter-relate with other factors such as international and national economic conditions, political support and adequate resources. The same institutional architectures can quickly be rendered inappropriate and ineffective obstacles to adaptation, liable to further disruption and restructuring as conditions and contexts change.

Acknowledgements

Thanks to the participants in this research study, the Editors and reviewers for their comments, the participants in the CURDS and Regional Studies Association Seminar ‘The State of the LEPs’, Newcastle Upon Tyne (March 2013), and the Cambridge Economics Society Conference ‘Local Economic Growth: Recession, Resilience and

Recovery', Cambridge University (July 2013). We acknowledge the support of the Spatial Economics Research Centre (SERC) funded by the Economic and Social Research Council, Department for Business, Innovation and Skills and the Welsh Assembly Government. The usual disclaimers apply.

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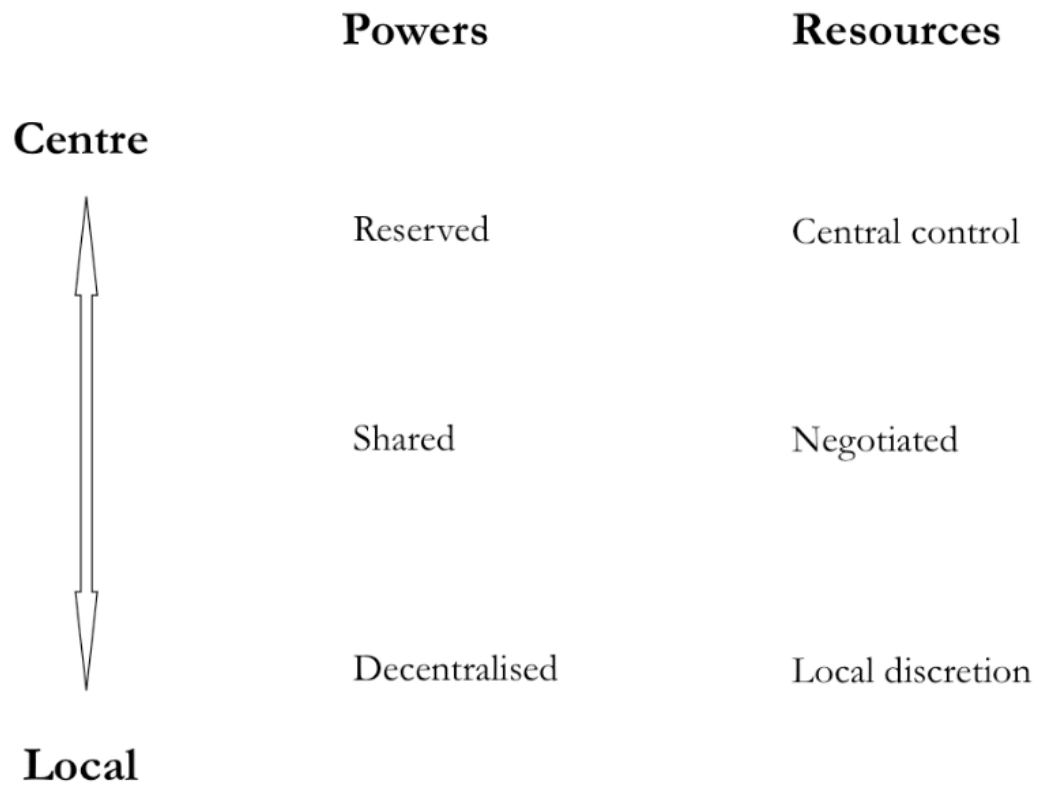
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Table 1: Formal and informal institutions in local economic development

Type of institution	Formal	Informal
Form	'Hard', codified, written	'Soft', tacit, unwritten
Generic examples	Charters, Constitutions, Contracts, Laws, Regulations, Rights, Requirements, Regulations, Rules and Statutes	Attitudes, Codes, Conventions, Customs, Experiences, Habits, Networks, Norms, Routines, Traditions and Values
Local economic development examples	Decentralisation of economic development powers, responsibilities and resources to a local agency; Local content and sourcing regulations in public procurement contracts; Compulsory purchase powers for land acquisition and ownership	High levels of trust between local actors facilitating knowledge exchange and innovation; Strong social capital bonding local actors into existing patterns of behaviour; Relational social networks connecting local actors to extra-local sources of growth and innovation

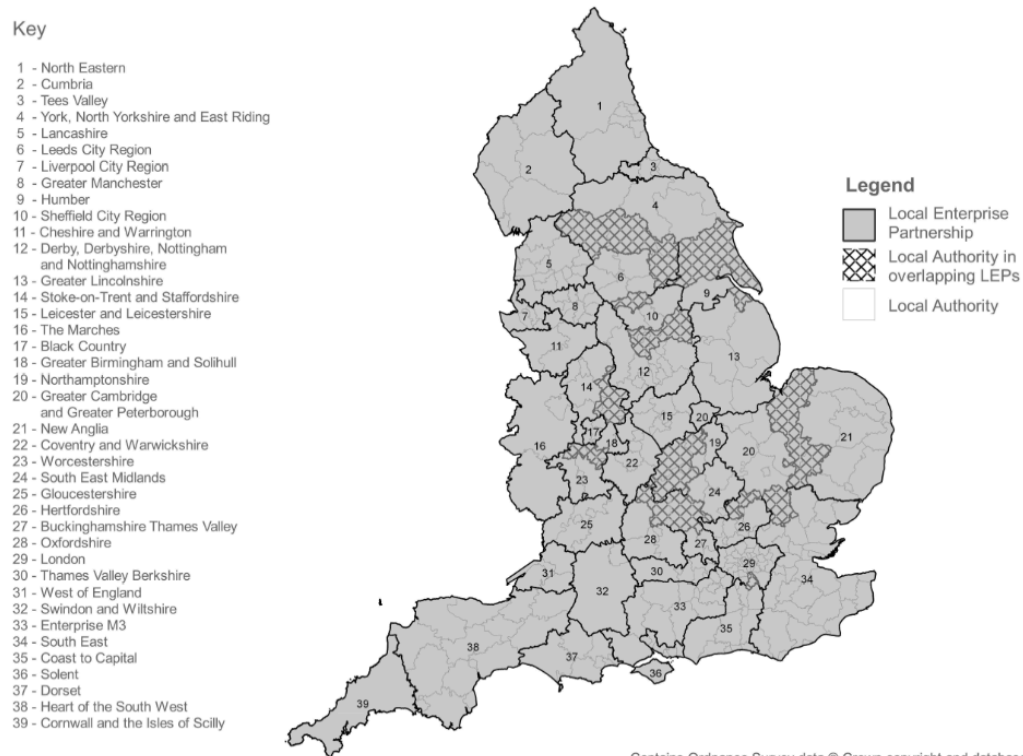
Source: Authors' research

Figure 1: Decentralisation of powers and resources between the central and local levels



Source: Adapted from Pike (2010)

Figure 2: Local Enterprise Partnerships, 2013



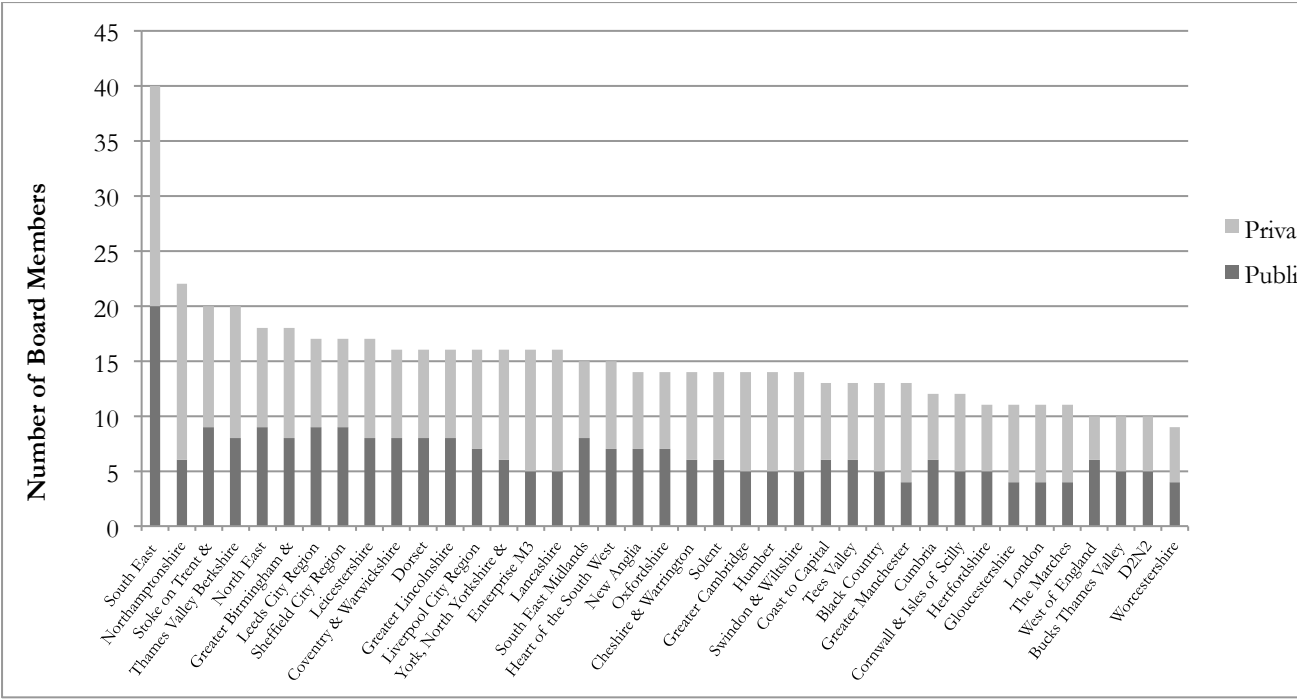
Source: © Crown Copyright

Table 5: Main organisations involved in local economic development in LEP areas in England

Level	England
Central Government	National Government Departments (e.g. BIS, CLG, DEFRA, DECC, DfT, HMT) Sub-national Offices of Central Government Departments (e.g. BIS Local, CLG RGF/ERDF local teams) Central government functional agencies (e.g. HCA, HEFCE, Highways Agency, TSB, UKTI)
Local Government	Local Authorities Local Authority groups (e.g. Combined Authorities, Joint Committees) Local Authority Associations
Development Agencies	Local Development Agencies Local Enterprise Agencies Regeneration Partnerships Special Purpose Vehicles Local Asset-Backed Vehicles
Training and Skills	Skills Funding Agency National Apprenticeship Service Jobcentre Plus Employers (Employer Ownership of Skills Project) Work Programme providers
Higher Education	Universities
Further Education	Skills Funding Agency Colleges
Trades Unions	Regional TUCs
Private Sector	Individual business people Business associations (e.g. Chambers of Commerce, CBI, EEFs) Private sector service providers (e.g. economic development, planning, training) Industry groups (e.g. Energy, Manufacturing, Construction and Infrastructure)
Civic sector	Community associations, voluntary groups, trusts, co-operatives, etc.

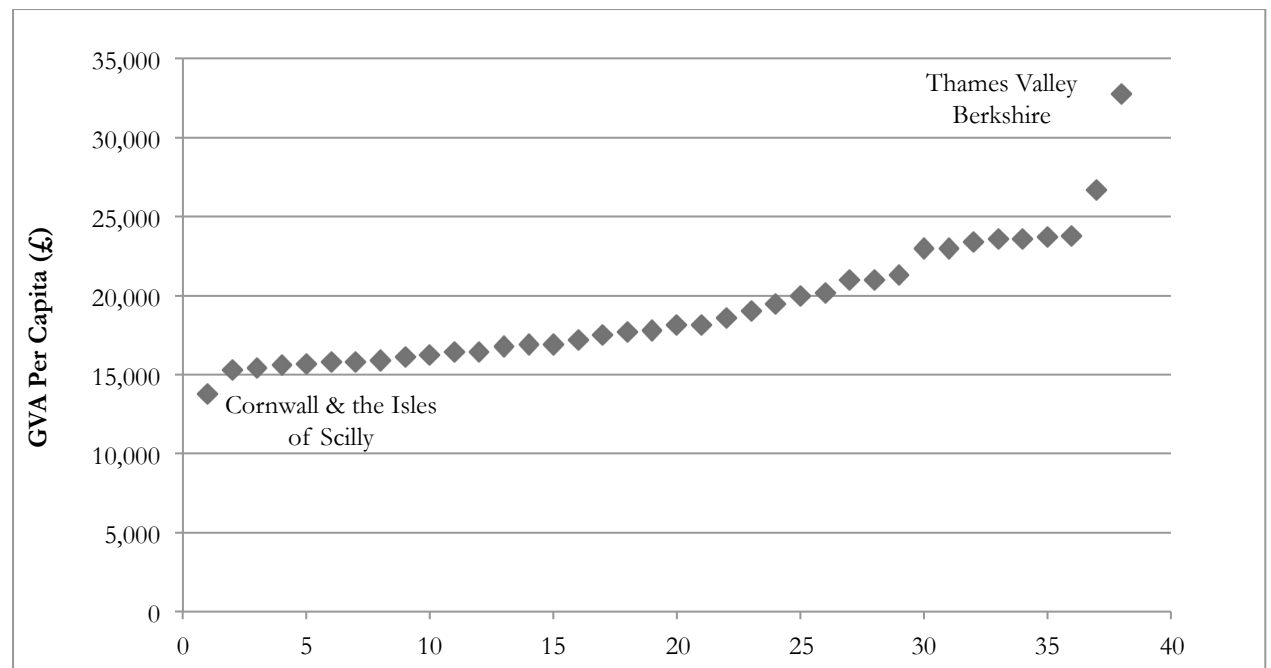
Source: Authors' research

Figure 3: Board size and membership by LEP area, 2013



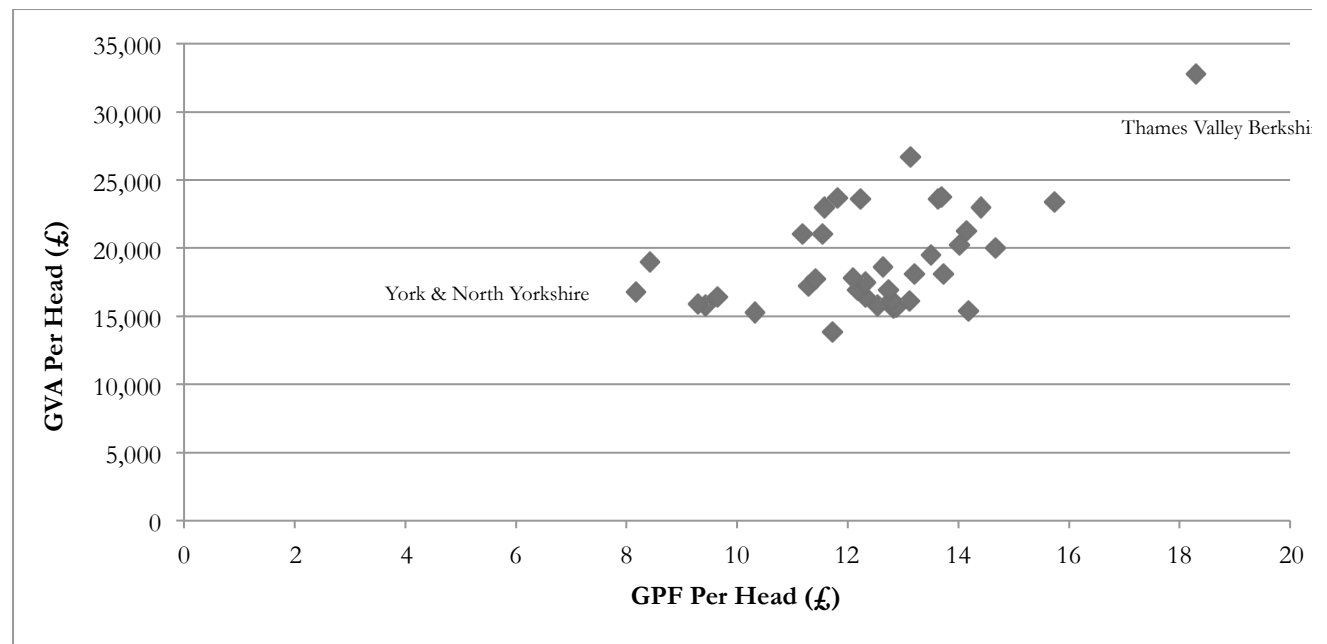
Source: Authors' survey

Figure 4: GVA per head by LEP area, 2011



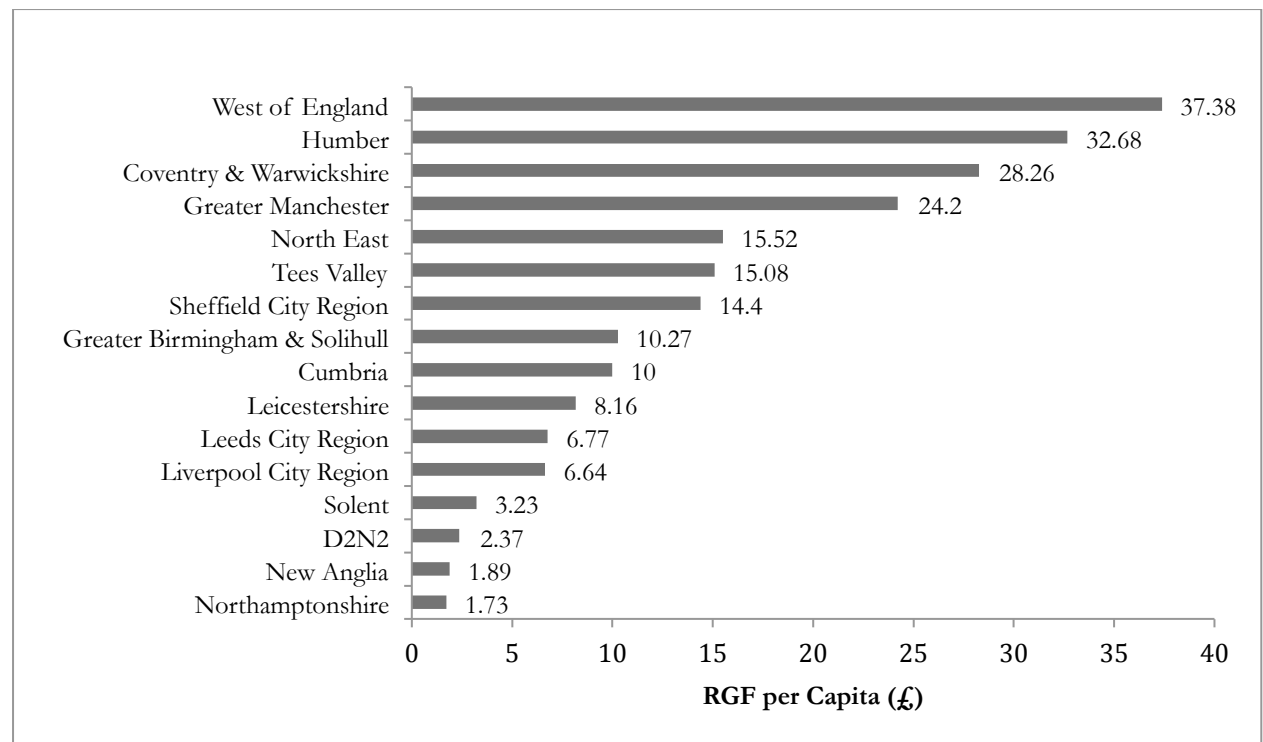
Source: ONS and The LEP Network Annual Review of LEP Economies 2013

Figure 5: GPF allocations by GVA per capita of LEP area, 2011



Source: Authors' calculations from CLG data.

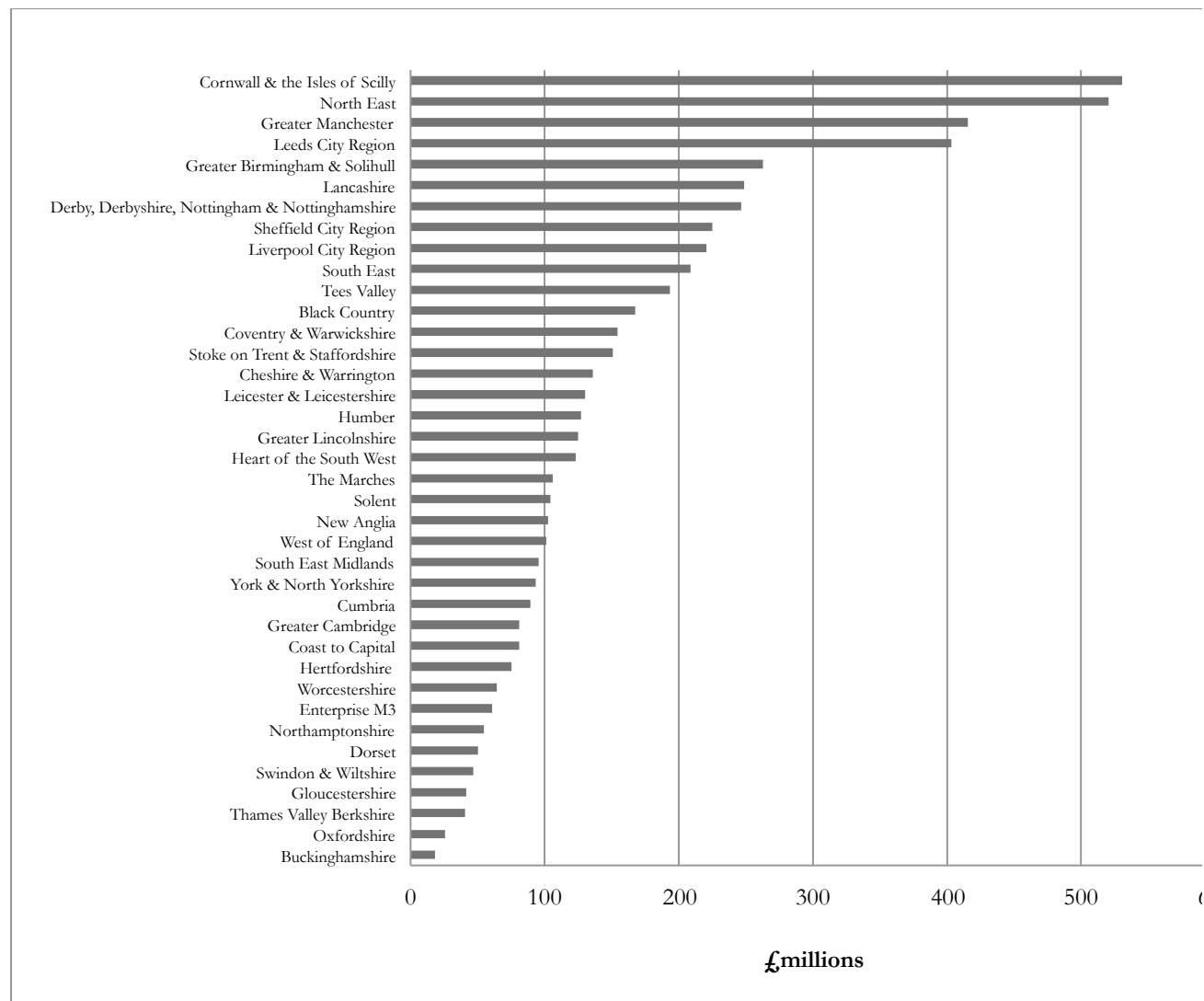
Figure 6: RGF (£) Awarded to LEPs (Rounds 1-3) by Per Capita*



* Analysis of BIS data on RGF Bids awarded to LEPs in Rounds 1-3.

Source: BIS data and Authors' own estimates.

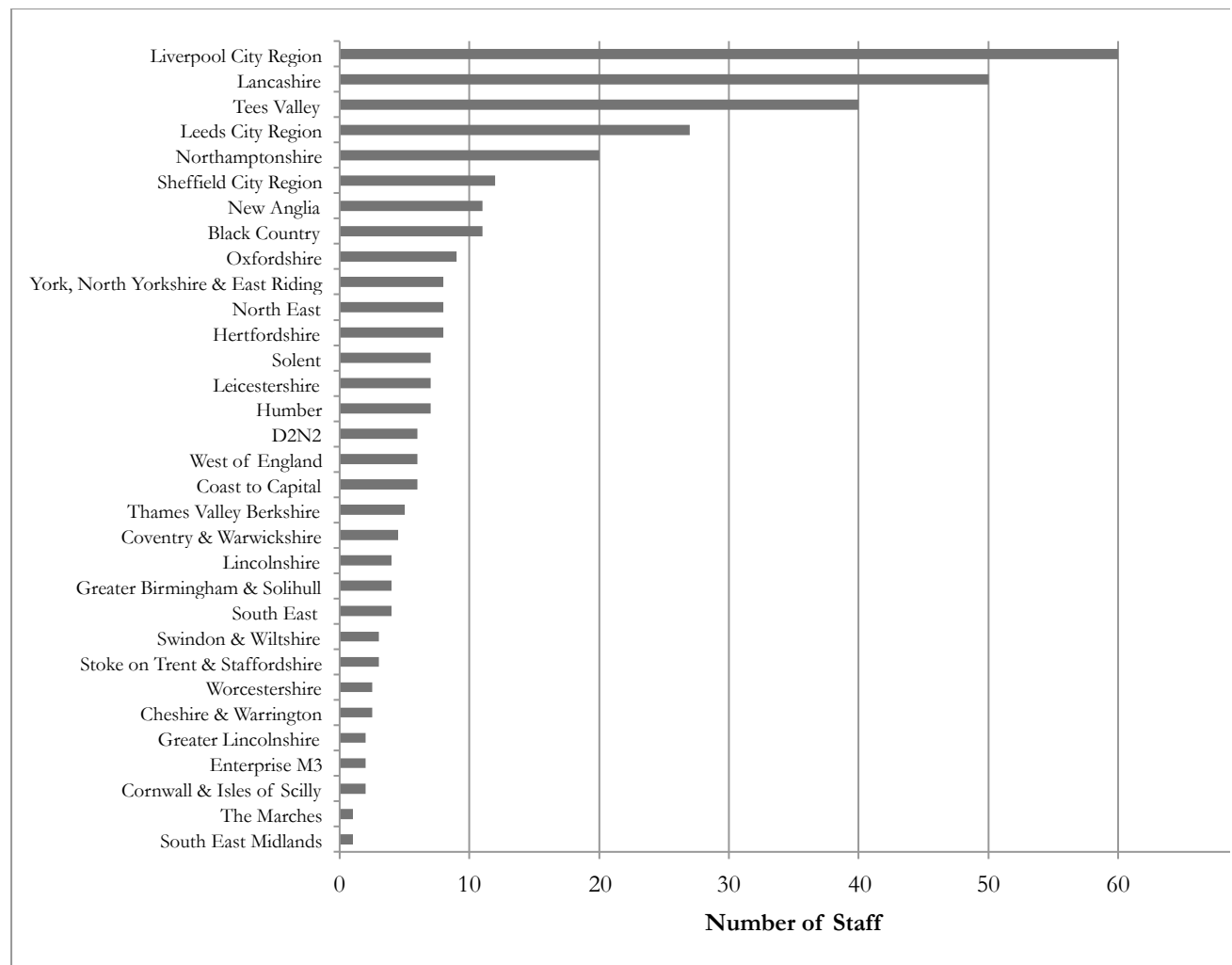
Figure 7: Combined GPF, RGF and EU Structural & Investment Fund Resources under the ‘Strategic Influence’ of LEPs in £m (2011-2020/21)



* Figures for RGF are based on estimates of the allocations in Rounds 1-3. EU Structural and Investment Fund allocations have been published in € and have been converted to £ using the exchange rate of 0.8627 as of 15 July 2013. Up to 2% of GPF funding can be spent on programme management, which is envisaged to support LEP and partner capacity.

Source: HMG figures and Authors' own estimates

Figure 8: Estimated Number of Direct Staff by LEP Area, 2013



Source: Authors' survey